



Hey, this is Phil Kowalski and welcome to the very first episode of Procurement Zen. In this show, I will introduce myself to you and then we dive right into a neat tool you can use in any negotiation, the negotiation playbook. Let's start the show.

Are you looking to up your negotiation and procurement skills, you're on the right place. Welcome to Procurement Zen with your host, Phil Kowalski.

Hey, welcome to Procurement Zen. Yes, I'm so excited, this is the very first episode of this new podcast and I'll just start with a very short introduction of myself. My name is Philipp Kowalski. I am located in Germany, working since 15 years in procurement and I would say quite experienced negotiator. A little bit about my private life, I'm married, have two wonderful kids. I live in the southern part of Germany, working for a huge German global-acting company with \$300,000 plus employees. They're working in a very interesting part of strategic procurement. Yes, and I have done some quite interesting deals in the past, have already also talked about it and I will now use this new tool, this podcast here to share all the information that I've gathered over the years with you. And I don't want to make this too much about me, so I would say maybe without further ado, let's just jump right in into what I have to offer in this very first episode.

So in this very first episode, we are talking about a negotiation playbook. So that is the tool. The negotiation playbook is some kind of guideline, central point, where you can store all kinds of information for certain negotiations. That's what the name says. So why should you do or use a negotiation playbook and when should you use it? Well it's quite simple. In complex discussions, you sometimes need a central place. These days, we're all working with SharePoint, with shared drives, USB drives and what not, and it's always good to have a shared or a central place where we can have all the information that we gather throughout research, throughout negotiations available. But not only does the research help that we do in preparation for this playbook, does this research help to improve your results and we will come to this in a second. But a written document makes internal discussions also more reliable. So in Germany, we have a proverb that goes a little bit along the lines of 'You write, you stay.' In Germany we say, 'Du schreibst, du bleibst.', if you know German. So ... That actually means people feel more committed if something is written down and well it's quite interesting psychological effect that we may focus on later on.

Okay. So when will you use this negotiation playbook as tool? Well that's totally up to you. In my area, I usually use it when it comes to strategic negotiation, but what makes a strategic negotiation? Well in my job, I have certain key points that help me determine ... that I ask for when being invited to lead a negotiation, that help me to find out if a project is more operational or more strategic. So one key point is what is the overall monetary volume of the demand. Next one is does it have any management attention and if so, which one is it high management, mid management, then the criticality of the demand and also the time frame. All of this gives me some kind of ideas if a demand is strategic or not and I would only go through the effort of using the negotiation playbook in strategic demands. And yes, it is an effort to be quite honest, but as we see later on, I think it's very well worth the time you put in there.

One additional remark, I also do the approach of a negotiation playbook per supplier. That sounds really like a lot of work, but I think it is necessary if we are dealing with more than one supplier negotiation.



And the reason is that in a later chapter, we cover supplier specific data and history of discussion and that is really needed on a per supplier basis. And as I use the negotiation playbook as an electronic document, for the part that stays the same it's really easy copy and paste I would say. Oh, by the way if you'd like to download my version of the negotiation playbook, just go to the company website of this podcast [procurementzen.com/1](http://procurementzen.com/1), the number one for episode number one and there you will have the negotiation playbook available as well as the show notes, and a little bit of other stuff we will talk about later on.

So the playbook we will talk about and as I said, which you can download in the show notes to this episode at [procurementzen.com/1](http://procurementzen.com/1), this is the number one, is structured into four sections with altogether eight chapters. So the first section is a kick off section with a chapter zero so to say and that is the supplier information that we really gather up front. The second section is the before or before a negotiation section that has three chapters, chapter one preparation questions, chapter two the business review and chapter three SWOT analysis. The third section is the during negotiation section and that actually has another three chapters, chapter four is goals, chapter five is script and chapter six is negotiation. And finally, we have the after section with chapter seven evaluation and chapter eight lessons learned. And in this very first episode, we will cover the sections kickoff and before with the chapters zero to three, and in the next episode, which will come out in a week, we cover the remaining chapters.

So let's start with chapter zero, supplier and ... supplier information. I'm sorry. So why do we need that? It actually has two benefits. The first one similar as above, if you write you stay, if you remember that, write down easier ... This is easier to remember. It's not just a central place to look at, but also the process of writing it down will make it stick in your mind. You can easier recall it then later on throughout the negotiations. The second reason is that through research, you may uncover certain advantages you maybe were not aware of. E. g. like if you evaluate or if you research the current economic situation of a certain supplier, you may see that there was a dip in their stock price and maybe they're eager for new revenue and willing to make more compromise in a negotiation with you. So this is just a little bit about why it makes sense to really collect all the supplier information.

One side note here, this is also the place although we do not cover this in very much detail in this episode, where you can enter findings from what I call persona profiling. And I will do a separate episode on this topic in the upcoming shows, so just send me an email to [podcast@procurementzen.com](mailto:podcast@procurementzen.com) if you're interested in that. But also like this supplier information, this is really the place to store any profiles and personality models that you uncover. So let's have a look at what we are looking. First of all, we have some very generic fields, where we'll just write down the supplier name, which is the supplier we're talking to, who did create this negotiation playbook, what is the date of creation, who is the responsible buyer if it's not the same person creating this. Then if you're working with material fields, which I do and always refer to throughout my several shows and several approaches. Is there for example a material field responsible person that is other than responsible buyer? If so, align or potentially invite them. Then if we come to supplier qualification, we have an ABC qualification. Usually, ABC qualification for suppliers goes like ... an A supplier does like 80% of your most important parts, B supplier maybe 15% and C supplier 5%. So in this area ... Also, we will do some very, very basic supplier classification.



You can see a little chart in the negotiation playbook that I'll share with you through the show notes, where we have a simple two by two matrix where on the X axis is the supplier power over us so to say, and on the Y axis is the supplier development potential. And we have like a standard ... this is the standard supplier that has weak power over it and also not very much potential or the second field this matrix would be a bottleneck, has strong power over us, but not very much potential. Then we have core suppliers, which have not very much power over us, but have a very strong potential. And then of course we have the strategic suppliers, which have strong power and also strong potential.

The next area that we cover in this chapter zero here, the supplier information, is organizational data. So what is a legal entity and the name of the company we're dealing with, what is the address. If we use an ERP system, what is the supplier number in that ERP system where applicable? Do we have existing contracts, so we note them down here? And then we go into a little bit more details in regard to the supplier's organization and these are the counterparts we're talking with. So what names ... what are the names of the persons we're talking with including their mobile phone number, their email, their role. Again, if you do some profiling, which we talked about before, this will be the place where you note down all the profile data that you just found out. And I really like this personality model, so I would note down what kind of personality type I think I'm dealing with here. It helps me always to focus on how to deal with this kind of person and we ... As I said, we will go into much more detail about profiling and how to find out what type of person we're dealing with and the overall personality type model in a later episode.

Also in regards to the suppliers ... counterparts here, we have some additional information in regards to the supplier's organization such as what is the fiscal year, when does it end, because that may be interesting for you. If they are coming close the fiscal year's end, they may be motivated to give you a little bit more than usually throughout their fiscal year, because they may want to reach or overachieve their sales goals to get better incentives. And they may be motivated to give you a little bit more than maybe in the mid of the year. Then we look a little bit away from the supplier and a little bit more into the market, still in relationship with that specific supplier, but looking a little bit more on the market perspective. So what are their major customers? So what share of revenue for each customer, that will also make ... give us an impression. Are we one amongst many customers for them? Are we very important customers? Also, we need to find out our revenue figures and this is usually something that I will do over the last three years. So the revenue that we have done with that certain supplier over the last three years to see if there's a development in whatever direction, so that we have a clear understanding here.

And in regards to revenue figures, we look at the total then also if can get those figures, the total revenue of them including us and others, then out of that, their total revenue with us. Also out of this specific revenue volume ... out of this with our most important countries if you're ... if we have more than just one country. For example for me, that would be the lead countries like Germany or we can also look at it from a regional perspective. Seeing okay, what do they do with the rest of the world. Also here we would note down their financial situation. If you can, you should get some credit rating, because it also gives you some good information, what assets they may have and also what ... their credit rating also gives a good impression how good they're standing or not. And as I said before, also google stock prices if they're publicly traded. Did they dip or rise, why? Could that eventually help us? And that would



conclude the first chapter of supplier information, and we now go into the next chapter, chapter one which is preparation questions.

So why should we ask questions up front? I think it's quite important to ask these questions to document the internal background of the demand, but also get some feedback from our suppliers. And actually this part of the negotiation playbook is also clustered in four areas. We have general project information, we have project details, we have internal questions and we have supplier questions. So let's go with the general project information. What is the project name? What is the project topic? Again, what is the material field? What is the current supplier we're talking to? Then our internal view, the demand owner data set. So name, department, who's the boss, phone number, email address. I also usually note down kickoff dates, so when were we first introduced. I note down timeline, when do we have to be ready? What is the best case? What is the worst case? What is the latest point? When would be the best point to be ready with this negotiation? Also sometimes it may be that you have external resources involved in the overall process such as consultants who are not directly your suppliers. So do we have externals involved? If so, same data requirements as per the internal demand owner mentioned above, maybe except just for their boss.

The second area that we'll cover in very much detail is the project details, so the demand history details. What's it all about? How did it come to us, to procurement, to the negotiation team? Is this a new, a continued, an extended demand? Is that a contract change? Who did it so far if we have some history in it? Are there any monopolies in there, pseudo monopolies or real ones or just let's say experienced ones? Any changes on how it has ... or how the service or products have been executed or delivered so far? For example, did we have some major volume increases, decreases? Did we have ... When we were talking about services, did we talk ... or did we have service levels, et cetera? We will cover a lot of these questions in much more detail in one of our future episodes, where we will talk about a procurement kickoff checklist that I usually utilize when first talking to demand owners about new projects.

But back to this, to the negotiation playbook, also questions we might ask is there any service description or product description available? What exactly should be procured and negotiated? What do we overall aim for? Why do we need that specific product or service? How and where, and this can mean geographically, but also organizational, should the demand be fulfilled? Will for example, a service will be delivered on site on our premises or will it be delivered somewhere else? And just as a side note repeatedly so to say again, I'm just going through this verbally but you can of course download the negotiation playbook that I'm going through here in the podcast from my website, [procurementzen.com/1](http://procurementzen.com/1). That is the number one for episode. Yeah. Let's get back to the project details and now focus a little bit more on the timeline details.

So when was the first contact between the demand owner and the procurement and negotiation team? When was the service or product description finalized? When was an RP sent out? Will there be a questions and answer session and when will that be? And by the way, if you're interested in doing Q and A with suppliers, I'll have a very decent case study that massively improved our negotiation position, and I have that case study in the making. I will cover it in one of our next episodes. So stay tuned for one of our future episodes that will be very, very, very, very good example. Also in regards to the timeline, the offer submission date. Offer evaluation, when was that finalized? Offer presentation by supplier, when did the negotiation start? When was the overall deal awarded? And right from the get go, you will not



have dates of course for all these questions, but they are still there and they also work as a reminder of certain key milestones and the timelines.

So going a little bit away from the timeline, let's focus on competition. Is there any competition? What suppliers were requested? Who offered of these requested suppliers? How many of these offers were acceptably technically and also content wise? How many suppliers were invited to negotiations? A third area that we might want to look at and which I really ... Yeah, how can I say that, which I really would emphasize and focus very much on are internal preparation questions. We always tend to say, "Yeah. Internal stuff, not so important. Everyone knows that." But it's not clear from my experience, so I usually ask these same internal questions again and again to really get a clear picture of the overall negotiation scale.

So that starts with who on the supplier side is the driver we need to talk to? What is our impression? If the driver on the supplier side is not involved, has anyone an idea how can get that person involved? What do we think is important for the supplier? How would success look for us? And here it's quite important to think big. What's the most that we can ask for from the supplier and that's what we should ask? What is the best point in time? Again, if it's a publicly traded company, the financial calendar of them may be quite interesting, fiscal quarter's ... fiscal year's ended, so on. Do we have a top level management connection? Do we want to use that for this very negotiation? How is the overall balance experience so far? Is there more power on our side or is there more power on supplier's or is it some kind of even? What do we meet with this supplier? How can we solve potential problems? Do we have anything that we can think of right out of our head that we can give away easily, but that would be of high interest for our supplier? For example, a reference with our logo, maybe not too much effort for us. It could be quite interesting if it's for example a smaller supplier or a new supplier in the field.

So what is the best alternative to this supplier if there is one? What are the supplier's assumptions that we might want to correct? Do we think that they ... Do they see us different than what we think how we are? Are there any other departments of our company involved? If so, we should at least inform them or maybe we could invite them. Maybe they can participate. Can we align on our goals with these other interested departments? What have the highs and the lows in the historic relationship to that supplier? How has business developed? Did it went up? Did it went down? What is the result of the last supplier evaluation and can we use that maybe for our negotiations?

This brings ... This is a quite intense set that usually is answered through some kind of brainstorming. And in this brainstorming with our internal colleagues and demand owners, I think it's quite important to not have the feeling that everything that we write down here is carved in stone. But it's like more, what do we think, how do we feel about this? This is more some kind of ... Yeah, it's a little bit fuzzy. It's a little bit emotional. It's about feeling. If we just think about when we brainstorm, what could be important for the supplier, it's a feeling. We don't know for sure, but we may have a feeling and better we speak up and write down this feeling than simply to ignore to it.

And this brings us to the fourth and final area of this chapter and these are the questions that we should ask our suppliers up front. And important here is that we request or require some written feedback, because that makes it much more reliable, and here I have a standard set of questions that I usually use. And these are how do you as a supplier see our company? What is your strategy towards us and how



does that fit in your overall corporate strategy? Who will you as a partner ... Excuse me. How will you as a partner become more valuable to us? How can we become your most valuable customer? What's this year's top priority for our business relationship? How does a successful year look like for you? What products or projects have top priority for you this year? What is your current workload? What do you think should we know about your business that we have not yet asked you?

And I really like this very last question, because it is also a good indicator how interested a supplier is in working with us. If a supplier to this very last question and I'll repeat again. What do you think ... should we know about your business, that we have not yet asked you? If they come back with, "Well, I don't know." That's quite good indication how they may see our partnership. But if they become passionate about their own company, passionate about the relationship, this is something that we could use together in the upcoming negotiations and that's also the reasoning for this specific set of questions. And that actually concludes the chapter on preparation questions and leads us to chapter two, the business review.

So this next chapter covers more or less the pure black and white figures. Not all may be applicable to you, but make sure that you get as much as you can and also put some extra effort in validating them. From my very personal experience, nothing is more embarrassing than a supplier correcting you on your own figures in a negotiation. This drastically weakens the negotiator's position and I always invest half an hour or a little bit more to make sure that my numbers and my figures are correct. So you'll see this is very dear to my heart. So overall this very short chapter of the negotiation playbook covers three areas, facts and figures, current conditions and market share. So let's start with facts and figures. For these numbers I always try for the last year's values, this year's values and also an outlook on the next six to 12 months if possible to simply see if figures develop in whatever direction so I can recognize trends. So of course purchasing volume with this supplier, our total purchasing volume in this material field, the share of this supplier of our purchasing volume in this material and overall. The number of purchase orders and deliverables/products from a historic relationship, delivery performance if there is already an existing relationship, quality performance. Did we have any non-conformance costs? If so, the number of issues and costs if we can determine them.

The next part that I usually take care of is about currently contracted conditions and of course, this is only applicable if you already have contracts in place. So what are the payment terms? What are the delivery terms? Do we have any logistics fees and conditions? Do we have hazardous ... excuse me, hazardous goods, costs or fees? Do we have any export fees? And then in current contracts, what kind of contracts do we have? Do we have friend contracts? Do we have project contracts? Do we have individual contracts? And the last part of this very short chapter again is about numbers, and I again I will try to get this year's, last year's and an outlook for the midterm future figures. So what is our market share in this material field? What is our share with the supplier's revenue and which are the main players? So AKA also our competition in this material field.

This ends the very short chapter on the business review and leads us to the very last chapter that we will cover in today's episode, and that is a SWOT analysis. So if you're not aware, the term SWOT analysis stands for strengths, weaknesses, opportunities and threats. And it's a nice strategic tool to determine your strategic positioning, no matter if you're developing a product, structuring communication or as in our case, prepare a negotiation. So in the negotiation playbook, you can discuss ages ... really ages about



all the four elements of the SWOT analysis and the questions that I will tell you in the four areas in this chapter should only kickstart these discussions and findings. So let's first start with the S in SWOT, which stands for strength. So questions you might ask here are, why is our relationship valuable to the supplier? What can we offer to the supplier? What advantages do we have? What resources do we have ourselves available? What can we give the supplier that he wants? What have been great achievements in the past if we have a history together?

The next area is weaknesses or the W in SWOT. What didn't work out so well? Where did we fail? Where do we lack knowhow and/or skills? What didn't go so well in our joint history together? Where are we dependent upon the supplier ... on this very supplier? The next area covers opportunities or the O in SWOT. So questions we might want to ask here are how can we turn our strength from above in opportunities? Is there maybe also a chance to also turn our weaknesses from above into opportunities? Can we do something that hasn't been done before? So a special with this supplier. Think the unthinkable. Do we experience change? Can we leverage that change for an opportunity? Who could support us and how do we get these people in?

So the final area in this chapter stands for the threats or the T in the SWOT analysis, and the questions we might want to ask are what obstacles are there? Do our weaknesses limit us from achieving our goals AKA deal breakers? Do we see future problems already coming? Is there anyone else out there that our supplier may turn to for help, e. g. authorities or a top level management connection into our own organization? Is our competition hunting for the same supplier and will there be eventually a shortage? If there is change as described above, can that threaten our negotiation results?

And these set of starter questions finalizes chapter three and in the next episode, we will proceed with going through the remaining two sections of the negotiation playbook, which are the during section and the after section. And in the meantime again, head over to [procurementzen.com/1](http://procurementzen.com/1), this is the number one, to get the show notes and download an electronic version of our negotiation playbook file. So you can have a look, you can re-read what we just talked about. Any feedback you might have, please direct it directly to [podcast@procurementzen.com](mailto:podcast@procurementzen.com). Again this is podcast, P-O-D-C-A-S-T@procurement, P-R-O-C-U-R-E-M-E-N-T zen, Z-E-N.com. And I'm really looking forward to dive even deeper with you into this very helpful tool in the next episode of Procurement Zen, which is due in one week's time. So if you liked this episode, make sure to leave a review and give us some feedback. Talk to you soon. Bye-bye.

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